

ON THE BRINK: 2005

THE HOME ENERGY AFFORDABILITY GAP MAY 2005

Finding #1

| Poverty Level | Home Energy Burden | |
|---------------|--------------------|--|
| Below 50% | 63.3% | Home energy is a crippling financial burden for low-income Vermont households. Vermont households with incomes of below 50% of the Federal Poverty Level pay 63.3% of their annual income simply for their home energy bills. |
| 50 – 74% | 25.4% | |
| 75 – 99% | 18.1% | Home energy unaffordability, however, is not simply the province of the very poor. Bills for households between 75% and 100% of Poverty take up 18.1% of income. Even households with incomes between 150% and 185% of the Federal Poverty Level have energy bills above the percentage of income generally considered to be affordable. |
| 100 – 124% | 14.1% | |
| 125 – 149% | 11.6% | |
| 150% - 185% | 9.5% | |

Finding #2

| Poverty Level | No. of Households | |
|---------------|-------------------|--|
| Below 50% | 8,591 | The number of households facing these energy burdens is staggering. According to the 2000 Census, nearly 9,000 Vermont households live with income at or below 50% of the Federal Poverty Level and thus face a home energy burden of 63.3%. |
| 50 – 74% | 6,274 | |
| 75 – 99% | 7,855 | More than 6,000 Vermont households live with incomes between 50% and 74% of Poverty (home energy burden of 25.4%). And nearly 8,000 <i>more</i> Vermont households live with incomes between 75% and 99% of the Federal Poverty Level (home energy burden of 18.1%). |
| 100 – 124% | 9,261 | |
| 125 – 149% | 10,337 | |
| 150% - 185% | 15,377 | |

Finding #3

| | Home Energy Affordability Gap | Gross LIHEAP Allocation | |
|---------------------|-------------------------------------|-------------------------------|--|
| 2002 (base year) | \$67,488,944 | \$9,945,667 | Existing sources of energy assistance do not adequately address the energy affordability gap in Vermont. Actual low-income energy bills exceeded affordable energy bills in Vermont by \$74 million at 2003/2004 winter heating fuel prices. In contrast, Vermont received a gross allotment of federal energy assistance funds of \$10.5 million for Fiscal Year 2004 |
| 2004 (current year) | \$74,427,319 | \$10,478,244 | |
| Change | \$6,938,375 | \$532,577 | Vermont's LIHEAP allocation has lost ground relative to its Home Energy Affordability Gap. From 2002 to 2004, the total Home Energy Affordability Gap increased by \$6.9 million. In comparison, the federal LIHEAP allocation to Vermont increased \$0.5 million. |

Finding #4

| | | |
|---|--------------|---|
| Home Energy Affordability Gap: 2002 (base year) | \$67,488,944 | The Home Energy Affordability Gap Index in Vermont was 110.3 for 2004. This Index indicates that the Home Energy Affordability Gap has increased 10.3% between 2002 and the current year. |
| Home Energy Affordability Gap: 2004 (current year) | \$74,427,319 | The Home Energy Affordability Gap Index uses the year 2002 as its base year. In that year, the Index was set equal to 100. A current year Index of more than 100 thus indicates that the Home Energy Affordability Gap for Vermont has increased since 2002. A current year Index of less than 100 indicates that the Home Energy Affordability Gap has decreased since 2002. |
| Home Energy Affordability Gap Index (2002 = 100) | 110.3 | |

Finding #5

| End Use | Average Annual Bill | |
|-------------------|---------------------|---|
| Electric | \$831 | <p>The energy affordability gap in Vermont is not created exclusively, or even primarily, by home heating and cooling bills.</p> <p>At 2004 prices, while home heating bills were \$1,010 of a \$2,205 bill, electric bills (other than cooling) were \$831. Annual cooling bills represented \$45 in expenditures, while domestic hot water represented \$319 in expenditures.</p> |
| Hot water | \$319 | |
| Space heating | \$1,010 | |
| Space Cooling | \$45 | |
| Total annual bill | \$2,205 | |

Finding #6

| Fuel | 2002 Price | 2003 Price | 2004 Price | |
|---------------------------|------------|------------|------------|---|
| Natural gas heating (ccf) | \$0.998 | \$0.955 | \$1.149 | <p>In Vermont, natural gas prices rose 20.3% during the 2003/2004 winter heating season. Fuel oil prices fell modestly (4.1%) while propane prices rose 7.3%.</p> |
| Electric heating (kWh) | \$0.070 | \$0.069 | \$0.071 | |
| Propane heating (gallon) | \$1.147 | \$1.433 | \$1.537 | <p>Heating season electric prices rose modestly (3.3%) in the same period while cooling season electric prices stayed relatively constant (0.4%).</p> |
| Fuel Oil heating (gallon) | \$0.771 | \$1.332 | \$1.278 | |
| Electric cooling (kWh) | \$0.073 | \$0.077 | \$0.077 | |

Vermont Energy Gap Rankings (scale of 1-51)

A higher ranking indicates better conditions while a lower ranking indicates worse conditions relative to other states.

| | |
|---|---|
| <p>AVERAGE DOLLAR AMOUNT BY WHICH ACTUAL HOME ENERGY BILLS EXCEEDED AFFORDABLE HOME ENERGY BILLS FOR HOUSEHOLDS BELOW 185% OF POVERTY LEVEL.</p> <p>\$1,290 per household</p> <p>RANK: #51</p> | <p>AVERAGE TOTAL HOME ENERGY BURDEN FOR HOUSEHOLDS BELOW 50% OF POVERTY LEVEL.</p> <p>63.3% of household income</p> <p>RANK: #51</p> |
| <p>PERCENT OF INDIVIDUALS BELOW 100% OF POVERTY LEVEL.</p> <p>9.4% Of all individuals</p> <p>RANK: #13</p> | <p>COMBINED HEATING/COOLING AFFORDABILITY GAP COVERED BY FEDERAL HOME ENERGY ASSISTANCE.</p> <p>24.2% of gap is covered</p> <p>RANK: #23</p> |

DEFINITIONS AND EXPLANATIONS

Each state (along with the District of Columbia) has been ranked (from 1 to 51) in terms of four separate measures of the extent of the energy affordability gap facing its low-income customers:

- (1) The percent of individuals with annual incomes at or below 100% of the Federal Poverty Level. This data is obtained directly from the 2000 U.S. Census.
- (2) The average total home energy burden for households with income at or below 50% of the Federal Poverty Level shows the percentage of income that households with these incomes spend on home energy. “Total home energy” includes all energy usage, not merely heating and cooling. A home energy bill is calculated on a county-by-county basis. The statewide average is a population-weighted average of county-by-county data.
- (3) The average affordability gap (in dollars per household) for all households with income at or below 185% of Poverty is the dollar difference between actual total home energy bills and bills that are set equal to an affordable percentage of income. Affordability for total home energy bills is set at 6% of household income.
- (4) The extent to which federal energy assistance covers the combined heating/cooling affordability gap for each state. The combined heating/cooling affordability gap is the difference between actual heating/cooling bills and bills that are set equal to an affordable percentage of income. Affordability for combined heating/cooling bills is set at 2% of income. This measure thus examines the proportion of the heating/cooling gap that is covered by the gross federal Low-Income Home Energy Assistance Program (LIHEAP) allocation to the state assuming that the entire LIHEAP allocation is used for cash benefits.

In the state’s rankings, a higher ranking indicates better conditions while a lower ranking indicates worse conditions relative to other states. Thus, for example:

- (1) The state with the rank of #1 has the lowest percentage of individuals living in households with income at or below 100% of the Federal Poverty Level while the state with the rank of #51 has the highest percentage.
- (2) The state with the rank of #1 has the lowest average home energy burden for households with income below 50% of the Federal Poverty Level while the state with the rank of #51 has the highest average home energy burden.
- (3) The state with the rank of #1 has the lowest average affordability gap (dollars per household) while the state with the rank of #51 has the highest dollar gap.
- (4) The state with the rank of #1 has the highest percentage of its heating/cooling affordability gap covered by federal energy assistance while the state with the rank of #51 has the lowest percentage of its heating/cooling gap covered.

All references to “states” include the District of Columbia as a “state.” Low-income home energy bills are calculated using average residential revenues per unit of energy. State financial resources and utility-specific discounts are not considered.

Energy bills are a function of the following primary factors:

- Tenure of household (owner/renter)
- Housing unit size (by tenure)
- HDDs and CDDs (by county)
- Household size (by tenure)
- Heating fuel mix (by tenure)
- Energy use intensities (by fuel and end use)

Bills are estimated using the U.S. Department of Energy's "energy intensities" published in the most recent DOE Residential Energy Consumption Survey (RECS). The energy intensities used for each state are those published for the Census Division in which the state is located. State-specific demographic data is obtained from the most recent Decennial Census of the U.S. Census Bureau. Heating Degree-Days (HDDs) and Cooling Degree-Days (CDDs) are obtained from the National Weather Service's Climate Prediction Center on a county-by-county basis for the entire country. State price data for each end-use is obtained from the Energy Information Administration's (EIA) fuel-specific price reports (e.g., Natural Gas Monthly, Electric Power Monthly).

Each state's Home Energy Affordability Gap is calculated on a county-by-county basis. Once total energy bills are estimated for each county, each county bill is weighted by the percentage of persons below 185% of the Federal Poverty Level in each county to the total statewide population below 185% of the Federal Poverty Level to derive a statewide result.

The Home Energy Affordability Gap Index uses 2002 as its base year. In that year, the Index was set equal to 100. A current year Index of more than 100 thus indicates that the Home Energy Affordability Gap has increased since 2002. A current year Index of less than 100 indicates that the Home Energy Affordability Gap has decreased since 2002.

The Home Energy Affordability Gap is a function of many variables. Increases in income, for example, result in decreases in the Gap while increases in energy prices result in an increase in the Gap. The Home Energy Affordability Gap Index allows the reader to determine the cumulative impact of these variables. Since the Gap is calculated assuming normal Heating Degree Days (HDDs) and Cooling Degree Days (CDDs), temperatures do not have an impact on the Gap or the Home Energy Affordability Gap Index.

Price data for the various fuels underlying the calculation of the 2004 Home Energy Affordability Gap was used from the following time periods:

| | |
|--------------------------------------|---------------|
| <i>Heating prices</i> | |
| Natural gas | February 2004 |
| Fuel oil | February 2004 |
| Liquefied petroleum gas (LPG) | February 2004 |
| Electricity | February 2004 |
| <i>Cooling prices</i> | |
| | August 2004 |
| <i>Non-heating prices</i> | |
| Natural gas | May 2004 |
| Fuel oil | May 2004 |
| Liquefied petroleum gas (LPG) | May 2004 |
| Electricity | May 2004 |